



Director of
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Page Denied

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25X1

Contents

South Korea: *Presidential Aides Dismissed* 1

China-US: *Joint Economic Committee Meeting* 2

[Redacted]

Israel-Lebanon: *Diversion of Litani River Water* 4

Central America: *Possible Papal Visit* 5

OPEC: *Deadlock on Production Quotas* 5

EC: *Revised Growth Forecasts* 6

USSR-Mozambique: *Delay in Delivery of MIG Spare Parts* . . 6

[Redacted]

Sri Lanka: *National Referendum* 7

25X1

25X1



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25X1
25X1

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25X1

SOUTH KOREA: Presidential Aides Dismissed

President Chun yesterday dismissed two of his closest and most influential aides, Her Hwa Pyung and Hur Sam Su, who helped him to power in late 1979 and 1980. [REDACTED]

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Comment: The move, as well as the release of long-time dissident leader Kim Dae Jung last week, reflects Chun's growing confidence and involves issues of power and policy. Chun gradually has been neutralizing powerful military colleagues who helped put him in office, and the dismissals fit that pattern. Many political observers in Seoul had considered Her to be the second most powerful individual in the country. [REDACTED]

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The two aides opposed Kim's release. Chun thus appears to be promoting his image as a national conciliator and perhaps planning additional steps toward easing political controls. For example, there are reports Chun is considering the release of other political prisoners and the lifting of restrictions on several hundred "banned" politicians. [REDACTED]

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Such measures would not necessarily commit Chun to a continuing process of political reform. They would, however, constitute his most extensive moves toward liberalization. [REDACTED]

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CHINA-US: Joint Economic Committee Meeting

The Chinese press was cautiously optimistic about Sino-US relations following the recent meetings of the Joint Economic Committee. []

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China's first official comment on the meetings, which was released on Friday, highlighted Finance Minister Wang Bingqian's speech lauding the rapid expansion in bilateral trade over the past three years. Wang stressed that the advances in economic and technological cooperation resulted from efforts by both sides and added that ongoing efforts were likely to bring future economic benefits. []

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At the same time, however, the press release noted that future economic relations are threatened by "dark clouds" hovering over the political relationship--a standard reference to US handling of the Taiwan question. It also cited US trade restrictions and export controls on advanced technology as obstacles to improved ties. []

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Comment: China's positive approach to the Joint Economic Committee is part of a broader effort to improve the tone of Sino-US relations. It contrasts with an emphasis on bilateral economic differences over the past several months. []

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Beijing probably is softening its approach to the relationship to set the stage for talks with senior US officials early next year. There are no indications, however, that the Chinese have changed their position on any bilateral issue. []

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Page Denied

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ISRAEL-LEBANON: Diversion of Litani River Water

The Lebanese are concerned that Israel plans to divert water from the Litani River. [redacted]

The Chairman of Lebanon's Litani River Authority recently said Israeli diversion of water from the Litani may already be under way and that a tunnel through the mountains to the Hasbani River in Israel could be completed within a year. Early this month Israel's Water Commissioner acknowledged that, if the currently stalled bilateral negotiations went well at the political level, Israel might raise the possibility of joint use of excess Litani water. [redacted]

The Israeli official suggested Lebanon could sell 50 million cubic meters per year to Israel. He said this amount would be sent via the National Water Carrier to alleviate the water shortage in the Gaza Strip. [redacted]

Comment: //Israel has sought to use water from the Litani since the late 1940s and has prepared technically feasible diversion plans. In 1975 a government official estimated the Litani could supply Israel with about 500 million cubic meters per year, an increase of 30 percent in Israel's water supply. [redacted]

[redacted]

Lebanon has made its own plans for use of Litani water. A major dam was built at Al Qir'awn in 1962 to generate electric power and to irrigate parts of the Bekaa Valley. Additional Lebanese plans to make full use of the Litani have been deferred by the government's lack of control in the area. [redacted]

The Gaza Strip urgently needs additional water, but it may not be the primary recipient of Litani water as was indicated by the Israeli official. Historically, Israeli plans have earmarked the Litani's water for the Negev desert. The reference to alleviating water shortages in the Gaza may become a negotiating ploy to encourage Lebanon to accept an initial Israeli diversion of the Litani. [redacted]

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CENTRAL AMERICA: Possible Papal Visit

Honduras has announced a papal visit for early March. The Vatican has not yet confirmed an itinerary.

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Comment: The Pope probably will travel to all Central American countries, with possible additional stops in Cuba and Haiti. In El Salvador the Pope is likely to urge the government and the insurgents to engage in a dialogue to end the war. Political implications are most pronounced in Nicaragua, where religious repression and participation in the cabinet by Nicaraguan priests have strained relations with the Vatican. The Sandinistas almost certainly will capitalize on the visit to symbolize their legitimacy, but the Pope may renew his public criticism of priests in the government.

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OPEC: Deadlock on Production Quotas

OPEC ministers failed to agree on national production quotas or to deal with the problem of price cheating. The organization announced it will maintain its \$34-per-barrel benchmark price and limit oil production to 18.5 million barrels per day in 1983, 1 million below current output. Press reports state Saudi Arabia has been asked to reduce its self-imposed ceiling on production from 7 million barrels per day to 6 million.

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Comment: The ministers' failure makes their agreement on an overall ceiling virtually meaningless. OPEC members probably will continue producing at current levels as long as the market permits and will discuss production shares again early next year, when the seasonal demand for oil is about to decline. Saudi Arabia already is producing 1.5 million barrels below its quota, and, even if it were to agree to a lower ceiling, it would not change its current output.

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EC: Revised Growth Forecasts

//Unexpectedly weak economic performance in the third quarter of 1982 has led the EC Commission to revise downward its growth forecasts for 1983. According to unpublished data, GDP in the EC fell at 4.5-percent annual rate in the third quarter, 4 percentage points lower than forecast in October. The Commission now projects negligible growth this year and only 0.4 percent for next year, largely in expectation of slower export growth.//

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Comment: //Debt problems in developing countries and in Eastern Europe, a 2-percent growth rate in the US, and growing world protectionism would all contribute to poor export performance in 1983. Low growth forecasts probably will lead to increasing political pressure to raise trade barriers and export subsidies. Although some countries may be tempted to devalue their currencies to increase exports, most West European governments would resist these pressures. They fear a trade war would plunge the industrial world into a depression.//

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USSR-MOZAMBIQUE: Delay in Delivery of MIG Spare Parts

US Embassy sources in Maputo report the USSR is insisting on advance payment in hard currency for MIG spare parts. Nonpayment allegedly has resulted in the grounding of more than half of the Air Force's three-year-old inventory of 26 MIG-17 fighters.

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Comment: //It is standard Soviet procedure to require hard currency prepayment for aircraft spares, engine overhauls, and maintenance contracts. These services are managed by a separate arm of the Soviet military assistance establishment, and special dispensation for payment relief has to be approved at higher levels. Despite the reported failure to work out some compromise with Mozambique on the spare parts, Moscow appears to have increased its shipments of new military equipment to Maputo in recent months. Soviet officials pledged increased military support last spring in order to strengthen the country's defense against insurgent activities.//

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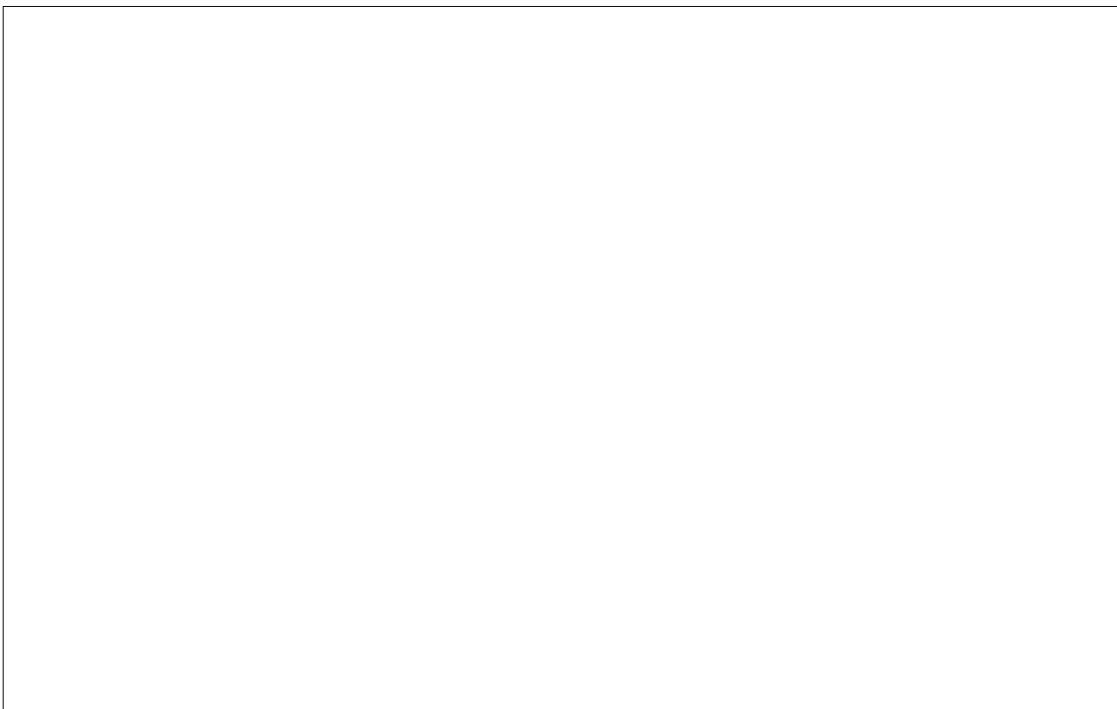
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SRI LANKA: National Referendum

Sri Lanka will hold a referendum tomorrow on extending the current parliament until 1989, a move sought by President Jayewardene to preserve his United National Party's unusually large parliamentary majority throughout his second term. A negative vote would require a general election by next August. Over opposition objections, the government has extended the state of emergency imposed last October after the presidential election to discourage violence.

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Comment: The parliament probably will be extended. The campaign against the issue by the demoralized opposition parties has been ineffective. On the other hand, opposition from the ethnic Tamil minority in the north and from others who question the propriety of using a referendum to prolong parliament is likely to prevent a strong endorsement. Public apathy and confusion about what is at stake are likely to keep the vote down, which would help the issue to pass.

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